

Opening Statement
Chairman Dan Burton
Subcommittee on the Western Hemisphere
Committee on International Relations
Title: “U.S. Trade Agreements with Latin America”
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Today the Subcommittee will receive testimony on several pending trade agreements and their potential impact on the economies of the Western Hemisphere, including our own. Specifically, we intend to look into the Dominican Republic – Central American Free Trade Agreement, DR-CAFTA, the Andean Free Trade Agreement or Andean FTA, and the umbrella Free Trade Agreement of the Americas or FTAA.

This hearing is particularly timely because Congress may soon be asked to vote on one or more of these trade agreements. From the outset though, I would like to make it clear that this Subcommittee’s job is not to second-guess the wisdom of the negotiators, nor are we here to negotiate or renegotiate these agreements. Rather, we are here to explore their value as one part of the solution to the challenges of poverty, political and economic instability, and the many other ills which face our hemisphere. Our intention is solely to determine the merits of free trade within the hemisphere and, as best we can, whether or not these trade agreements have the potential to live up to their promises of greater prosperity, and the development of stronger democracies in the region. I am cautiously optimistic that they can.

Spreading prosperity throughout the Western Hemisphere is of course a key long-term goal of the United States. Over the course of the last few weeks, this Subcommittee has heard from several witnesses, in other hearings, that our ability to achieve this goal is under threat. Latin American democracies are still fragile, and many people remain in poverty in the region, leading them to start doubting whether democracy is the right vehicle for promoting a better way of life.

While I do not believe that trade agreements, alone, are the panacea to cure the ills of our hemisphere, I do believe that the economic prosperity that these agreements can provide would, in fact, create the conditions by which we can alleviate poverty, promote the rule of law and strengthen democratic and civil institutions, and thereby improve the lives of the millions who now live in poverty. I know that many of my colleagues would argue that trade agreements in fact do just the opposite; that free trade accelerates the slide into poverty. But the reality is that throughout history, long-term economic prosperity has come through trade and the economic activity which supports it. Therefore, supporting DR-CAFTA and the Andean FTA may be essential to achieving overall U.S. policies in Latin America.

Without proper trade agreements within our hemisphere, like the ones we are discussing today, unfair competition from elsewhere, like China, will destroy this region’s ability to compete both in our own hemisphere, and around the globe. I know that many people have reservations about the labor and environmental protections in these trade agreements, and I would ask these people a simple question: Which country would do a better job of protecting the rights of organized labor and safeguarding the environment; the United States or Communist China?

It is important to note, that the benefits of free trade are not confined within the borders of Latin America. These trade agreements are also potentially very good for our economy. For instance, while today Central American countries have virtually duty-free access to U.S. markets for most goods, duty-free access for American goods is not reciprocated. DR-CAFTA, in particular will level the playing field across the board, and allow U.S. businesses better access to markets now protected from our manufactured and agricultural exports. In addition, increased U.S. exports can potentially boost productivity for U.S. companies and in turn lead to higher wages for U.S. workers. Trade agreements that reduce tariffs and dismantle other barriers to U.S. exports can only benefit American business and the American consumer.

Before I conclude, I would like to add one note of caution. Before any free trade agreement is ratified, we should be satisfied that the countries involved demonstrate the ability to properly handle current and future investment disputes, which are likely to arise.

For example, both Ecuador and Peru, who wish to be partners in the Andean Free Trade Agreement, along with Colombia, are embroiled in a number of disputes with American companies or investors. While these disputes vary in degrees, it has become quite clear that the governments involved may not have made the appropriate efforts to resolve them in a timely and equitable manner.

While I understand that legal systems differ from nation to nation, it is not clear to me why some of these disputes still linger. For example, it has been five years since the Government of Peru expropriated \$30 million from Engelhard Corporation. Despite a number of rulings in favor of this company, the Government of Peru continues to dispute the issue.

In Ecuador, I have been informed that American Company Occidental Petroleum is in danger of having its nearly \$1 billion in assets expropriated over a dispute with the Ecuadorian Government which corporate and legal experts believe has no merit.

In closing, I would like to thank our witnesses for joining us today, and I look forward to hearing their testimony. I am disappointed that a witness from the U.S. Trade Representative could not be here to update us on DR-CAFTA and the pending negotiations in Lima, Peru on the Andean FTA. However, without objection, questions for the USTR can be submitted by members for the record. I intend to arrange a briefing by the USTR for Members of the Subcommittee, so we can further discuss with them these important issues.

I also want to thank my good friend and Ranking Member Bob Menendez and his staff for their usual excellent support in preparing for this hearing.